



WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012
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March 25, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

Dear Supervisors:

**DEPARTMENT OF HEALTH SERVICES: APPROVAL OF AMENDMENT
NO. 1 TO CLAIMS ADJUDICATION SERVICES AGREEMENT WITH
AMERICAN INSURANCE ADMINISTRATORS, A SUBSIDIARY
OF MANAGEMENT APPLIED PROGRAMMING, INC.
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of the Department of Health Services (DHS or Department), or his designee, to execute Amendment No. 1 to Claims Adjudication Services Agreement No. H-702685, substantially similar to Exhibit I, with American Insurance Administrators (AIA), a fully owned subsidiary of Management Applied Programming, Inc., to increase the County maximum obligation for the term of the Agreement by \$1.2 million from \$11.2 million to \$12.4 million, which includes increasing the portion of the maximum obligation designated for claims adjudication services for the Public-Private Partnership (PPP) Program from \$5.5 million to \$6.7 million, to meet current service level needs and support additional claims adjudication services for new PPP initiatives, effective upon date of Board approval through March 31, 2012.

2. Delegate authority to the Director of DHS, or his designee, to execute amendments to the Agreement to increase the portion of the maximum obligation designated for PPP Program claims adjudication services by up to 15 percent for each year that this agreement is in effect, during the Agreement period from April 1, 2008 through March 31, 2012 as necessary, should the Department implement future programs linked to the PPP Program that result in additional claims adjudication services that would require system modifications and additional programming, subject to review and approval by County Counsel and the Chief Executive Office.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTIONS

Under the current Agreement, AIA processes thousands of non-County physician claims annually for County responsible patients in the Physician Services for Indigents Programs (PSIP), the PPP Program, and the new MetroCare contract and the Agreement specifies an allocation of the maximum obligation for claims adjudication for each program. The Office of Ambulatory Care (OAC) has determined that the current PPP Program allocation is insufficient to cover current and future claims adjudication costs. The Department either has implemented new initiatives linked to the PPP Program, such as the Healthy Way LA Health Care Initiative Services, or will implement new initiatives, such as Senate Bill 474-South Los Angeles Medical Services Preservation Fund. These initiatives will increase the claims adjudication needs under the Agreement. These new initiatives were unknown to OAC at the time the Agreement was originally approved.

Approval of the recommended actions will delegate authority to the Director of DHS, or his designee, to amend the Agreement with AIA, to: 1) increase the maximum obligation allocated to PPP Program claims adjudication to meet the service level needs and support additional programming costs for new initiatives; and 2) using delegated authority in the future, further increase that maximum obligation up to 15 percent should the Department implement PPP linked programs resulting in additional claims adjudication services that would require system modifications and additional programming.

Implementation of Strategic Plan Goals

The recommended action supports Countywide Strategic Plan Goal Number 3, Organizational Effectiveness and Goal Number 4, Fiscal Responsibility by effectively managing County resources.

FISCAL IMPACT/FINANCING

The total County maximum obligation for the Agreement currently is \$11.2 million for the term of March 20, 2007 through March 31, 2012. The proposed amendment will increase the maximum obligation by \$1.2 million to a total of \$12.4 million. Funding is included in HSA's Fiscal Year 2007-08 Final Budget and will be requested in future fiscal years. The contractor will not be asked to perform services which exceed the maximum obligation, scope of work, or dates in the Agreement.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Department is responsible for processing claims for payment to non-County physician providers who, through the PSIP, bill the County for services provided to eligible indigent persons in non-County facilities. These services have been provided under contract with a private contractor. The current Agreement with AIA was approved by your Board on March 20, 2007, to continue as the County's contracted medical claims adjudicator for PSIP, PPP and the new Metrocare indigent services program, effective March 20, 2007 through March 31, 2012.

The terms and conditions included in the Agreement remain unchanged. The Agreement may be terminated for convenience upon a 30-day advance written notice by either party.

County Counsel has reviewed and approved Exhibit I, as to use and form.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Your Board's approval of the recommended action will ensure that the maximum County obligation under the Agreement with AIA is reflective of the current and future service level needs of the Department.

Honorable Board of Supervisors
March 25, 2008
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CONCLUSION

Upon approval of the recommendations, DHS requires three signed copies of the Board's action.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. T. Fujioka', with a stylized flourish at the end.

WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SRH:SAS
MLM:LT:bjs

Attachment

c: County Counsel
Director and Chief Medical Officer, Department of Health Services

032508_DHS_AIA

EXHIBIT I

Contract # H702685-1

CLAIMS ADJUDICATION SERVICES AGREEMENT

AMENDMENT NO. 1

THIS AMENDMENT is made and entered into this _____ day
of _____, 2008,

by and between

COUNTY OF LOS ANGELES

(hereafter "County"),

and

AMERICAN INSURANCE ADMINISTRATORS
("AIA"), A SUBSIDIARY OF MANAGEMENT
APPLIED PROGRAMMING, INC.
(hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written agreement entitled, "CLAIMS ADJUDICATION SERVICES AGREEMENT", dated March 20, 2007, further identified as Agreement No. H702685 (hereafter "Agreement"); and

WHEREAS, the Department of Health Services ("Department") has determined that the current maximum obligation must be increased as it is currently not sufficient to support the increased volume of claims adjudication for indigent patients provided services through the County's Public-Private Partnership (PPP) Program component of this Agreement, and for programming needs for new initiatives; and

WHEREAS, the Agreement provides that changes to its terms may be made in the form of a written amendment which is formally approved and executed by the parties; and

WHEREAS, it is the intent of the parties hereto to amend the Agreement to increase the maximum obligation to support claims adjudication and programming costs for the PPP Program, under the same terms and conditions; and make the changes described hereinafter.

NOW, THEREFORE, the parties hereby agree as follows:

1. This Amendment shall be effective upon its approval by County's Board of Supervisors.

2. Agreement, Paragraph 5, MAXIMUM OBLIGATION, shall be amended to read as follows:

"5. MAXIMUM OBLIGATION:

A. During the period of March 20, 2007 through March 31, 2008, the maximum obligation for all Claims Processing Program services (PSIP, MPP and PPP) provided under this Agreement shall not exceed Two Million, Five Hundred Thousand, Two Hundred Fifty Dollars (\$2,500,250).

(1) That portion of the maximum obligation designated for PSIP and MPP Claims Adjudication Services shall not exceed \$1.1 million and will be partially offset by any available State allocated Tobacco Tax and SB 612 administrative funds.

(2) That portion of the maximum obligation designated for PPP Program Claims Adjudication Services shall not exceed One Million, Four Hundred Thousand, Two Hundred Fifty Dollars

(\$1,400,250) and will be offset by One Hundred Forty-Six Thousand, Two Hundred Fifty Dollars (\$146,250) in California Department of Health Services (CDHS) Coverage Initiative funds and One Million, Two Hundred Fifty-Four Thousand Dollars (\$1,254,000) in net County cost.

B. During the period of April 1, 2008 through March 31, 2009, the maximum obligation for all Claims Processing Program services (PSIP, MPP and PPP) provided under this Agreement shall not exceed Two Million, Four Hundred Seventy-Nine Thousand Dollars (\$2,479,000).

(1) That portion of the maximum obligation designated for PSIP and MPP Claims Adjudication Services shall not exceed One Million, One Hundred Fifty Thousand Dollars (\$1,150,000) and will be partially offset by any available State allocated Tobacco Tax and SB 612 administrative funds.

(2) That portion of the maximum obligation designated for PPP Program Claims Adjudication Services shall not exceed One Million, Three Hundred Twenty-Nine Thousand Dollars (\$1,329,000) and will be offset by Seventy-Five Thousand Dollars (\$75,000) in California Department of Health Services (CDHS) Coverage Initiative funds and One Million, Two Hundred Fifty-Four Thousand

Dollars (\$1,254,000) in net County cost.

C. During the period of April 1, 2009 through March 31, 2010, the maximum obligation for all Claims Processing Program services (PSIP, MPP and PPP) provided under this Agreement shall not exceed Two Million, Four Hundred Seventy-Nine Thousand Dollars (\$2,479,000).

(1) That portion of the maximum obligation designated for PSIP and MPP Claims Adjudication Services shall not exceed One Million, One Hundred Fifty Thousand Dollars (\$1,150,000) and will be partially offset by any available State allocated Tobacco Tax and SB 612 administrative funds.

(2) That portion of the maximum obligation designated for PPP Program Claims Adjudication Services shall not exceed One Million, Three Hundred Twenty-Nine Thousand Dollars (\$1,329,000) and will be offset by Seventy-Five Thousand Dollars (\$75,000) in California Department of Health Services (CDHS) Coverage Initiative funds and One Million, Two Hundred Fifty-Four Thousand Dollars (\$1,254,000) in net County cost.

D. During the period of April 1, 2010 through March 31, 2011, the maximum obligation for all Claims Processing Program services (PSIP, MPP and PPP) provided under this Agreement shall not exceed Two

Million, Four Hundred Seventy-Nine Thousand Dollars
(\$2,479,000).

(1) That portion of the maximum obligation designated for PSIP and MPP Claims Adjudication Services shall not exceed One Million, One Hundred Fifty Thousand Dollars (\$1,150,000) and will be partially offset by any available State allocated Tobacco Tax and SB 612 administrative funds.

(2) That portion of the maximum obligation designated for PPP Program Claims Adjudication Services shall not exceed One Million, Three Hundred Twenty-Nine Thousand Dollars (\$1,329,000) and will be offset by Seventy-Five Thousand Dollars (\$75,000) in California Department of Health Services (CDHS) Coverage Initiative funds and One Million, Two Hundred Fifty-Four Thousand Dollars (\$1,254,000) in net County cost.

E. During the period of April 1, 2011 through March 31, 2012, the maximum obligation for all Claims Processing Program services (PSIP, MPP and PPP) provided under this Agreement shall not exceed Two Million, Four Hundred Seventy-Nine Thousand Dollars (\$2,479,000).

(1) That portion of the maximum obligation designated for PSIP and MPP Claims Adjudication Services shall not exceed One Million, One Hundred

Fifty Thousand Dollars (\$1,150,000) and will be partially offset by any available State allocated Tobacco Tax and SB 612 administrative funds.

(2) That portion of the maximum obligation designated for PPP Program Claims Adjudication Services shall not exceed One Million, Three Hundred Twenty-Nine Thousand Dollars (\$1,329,000) and will be offset by Seventy-Five Thousand Dollars (\$75,000) in California Department of Health Services (CDHS) Coverage Initiative funds and One Million, Two Hundred Fifty-Four Thousand Dollars (\$1,254,000) in net County cost.

F. For PPP Program Claims Adjudication Services for all years that this Agreement is in effect, in the event sufficient monies are available from Federal, State, or County funding sources, and County requires additional services, and in the event that County requires additional work from Contractor, which work shall include an unanticipated increase in the volume of claims adjudication activities, the Director, or his authorized designee may increase the applicable designated County maximum obligation for PPP Program Claims Adjudication services by an amount not to exceed fifteen percent (15%) of each year's maximum obligation for this service. Any such change in the designated County maximum obligation shall apply only to the

provision of future services, shall not be retroactive and shall be effected by an amendment to this Agreement approved by the Chief Executive Office and County Counsel and executed by Contractor and Director or his authorized designee.

4. Except for the changes set forth hereinabove, Agreement shall not be changed in any other respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Director of Health Services, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
Bruce A. Chernof, M.D.
Director and Chief Medical Officer

AMERICAN INSURANCE ADMINISTRATORS
("AIA"), A SUBSIDIARY OF MANAGEMENT
APPLIED PROGRAMMING, INC.

Contractor

By _____
Signature

Printed Name

Title _____
(AFFIX CORPORATE SEAL)

APPROVED AS TO FORM
BY THE OFFICE OF THE COUNTY COUNSEL

APPROVED AS TO CONTRACT
ADMINISTRATION:

Department of Health Services

By _____
Cara O'Neill, Chief
Contracts and Grants Division